

Special Assessment Procedures

December 1, 2015

The Honorable Mayor Ellison and
Members of the City Commission:

At the November 9th city commission meeting, during the public hearing for a proposed special assessment to improve the alley east of Rochester between Millard and Whitcomb, an affected property owner requested additional information. The property owner indicated living on a fixed low income and asked if the duration of the special assessment term could be extended to the maximum 20 years allowed in the city charter. In response, staff has prepared the following information which is intended to answer this request and other questions from the meeting.

When a special assessment petition is requested to pave an unimproved road for the first time, a *Special Assessment Street Paving Informational Handout* and *Proposed Special Assessment Procedure* are provided to the requesting party so he/she is fully informed of the procedures and requirements (Attachment 1). We direct the petition circulator to share this information with all of the property owners he/she approaches for a potential signature. The documents summarize several long standing city commission resolutions with regards to special assessments.

In regards to the duration of a special assessment: the commission formalized a policy on October 15, 1979 (Attachment 2). The established policy is to have all special assessments for road construction, water and sewer projects limited to 15 years; with all sidewalk construction projects limited to 6 years. We cannot find any other records that indicate the city commission has deviated from this policy.

The city commission has also addressed the issue of low income property owners facing special assessment. The city commission has established the following policy for deferment of special assessments, whereby the assessment can be deferred until such time as the property is sold or transferred (Attachment 3).

1. The applicant must be a senior citizen, age 65 or over, and the affected dwelling must be owner occupied.
2. The income limit is established as 1.3 times the "very low income limit" established by the Department of Housing & Urban Development for the Oakland County area under the Section 8 Existing Housing Assistance Program. (1984 HUD values here)
3. The applicant will be required to complete an application form indicating income and assets (similar to the application for CDBG housing rehabilitation assistance).
4. The city commission will review each case individually to determine whether the applicant qualifies under the program
5. The city commission reserves the right to make exceptions to the above criteria in unusual cases.

The planning division has indicated that the above deferment procedure is similar to their process for reviewing and deferring CDBG housing rehabilitation loan applications. In all instances, an approved housing rehabilitation loan requires a lien to be placed against the property for the amount of the loan. Planning indicated that the 1984 HUD values should not be used, that any income limits should be based upon current/updated values. They also indicated

that additional research on whether CDBG funds can be used to pay for special assessments is necessary. Each public infrastructure project would need to be carried out in compliance with all applicable federal requirements (household/income tracking of all participants, prevailing wages, environmental clearance, citizen participation, bidding procedures etc). It is clear the amount of staff time and HUD scrutiny would be significant.

Any deferment of a special assessment payment would require a funding source to be identified to cover the improvement costs and a lien would also be required against the property to ensure an eventual reimbursement.

For consistency and financing purposes, both engineering and finance do not recommend extending any assessment duration beyond 15 years. Finance does not wish to extend the loan period for cash flow purposes. The city uses cash on hand to finance small special assessments as it is not cost effective or efficient to bond these small projects generally speaking. Engineering also continues to recommend that property owners who wish to defer a proposed assessment placed on their property should continue to follow the previous procedure established in 1984.

We are not making any specific recommendations at this time so there is no proposed resolution below. The commission may wish to discuss this further so I suggest this be placed on the regular agenda instead of under "Non-Action Items."

Respectfully submitted,
Matthew J. Callahan, P.E.
City Engineer

Approved,



Donald E. Johnson
City Manager

3 Attachments



Engineering Division
211 Williams Street
Royal Oak, Michigan 48067
P: 248.246.3260
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Special Assessment Street Paving **Informational Handout**

General

Property owners may petition to have a street paved by special assessment. Petitions are available in the city engineer's office. The city commission may order a street paved as an assessment project with or without a petition. However, when a petition is submitted, it has generally been the requirement that property owners representing 50% or more of the assessable frontage must sign the petition. Up to two public hearings are held by the city commission and all property owners of record are notified. The first public hearing is the Public Hearing of Necessity to determine if a need exists for a street is to be paved or repaved; the second hearing is the Public Hearing of Assessment to set the special assessment rate and duration for affected property. The public hearing of necessity can be waived if 100% of the assessed frontage is represented in the petition.

Procedure

1. The city engineer's office will prepare a petition to circulate based on a written request from a property owner that abuts the unimproved road.
2. The city engineer's office will prepare a rough cost estimate for the project before the petition is circulated.
3. The requestor shall secure signatures on the petition from owners of the adjacent properties. The name of the owner of record will be listed on the petition that the city creates.
4. Return the petition to the city engineer's office.
5. The city engineer will calculate the percentage of assessable frontage or benefit units signing in favor of the project. This will be reported to the city commission. The city commission will decide whether to adopt standard resolution 1 which would direct the preparation of detailed cost estimates and a special assessment roll showing estimated cost for each property.
6. As part of special assessment street paving, driveway approaches will be replaced in concrete.
7. The remaining steps of the assessment procedure are shown in Attachment A.

Assessment Policy

The policy for determining the portion of the total project cost to be charged to adjacent property owners is shown in Attachment B.

The time allowed for special assessments to be repaid is 15 years (Adopted 10/15/79). The standard interest rate of special assessments is 6% beginning with the second consecutive payment upon the unpaid assessed balance.

Note: The city may sell bonds to finance the cost of special assessment projects. The interest rate paid by the homeowner is 1% above the interest rate paid by the city on any bond issue. This rate is determined at the time the bonds are sold.

Attachment 1



Engineering Division
211 Williams Street
Royal Oak, Michigan 48067
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Proposed Special Assessment Procedure

City commission is presented with a recommendation or petition to consider a public improvement.

Standard Resolution 1

Commission orders preliminary plans and estimate of cost prepared by city engineer, and directs city assessor to prepare a special assessment district. The city assessor refers topic back to city commission when special assessment district is prepared - usually 2 to 3 weeks are required.

Standard Resolution 2

The commission establishes a special assessment district (SAD), setting forth the estimated cost to the city and to the assessment district, and setting a date for the public hearing on necessity.

The city clerk advises commission on date - usually 3 to 4 weeks are required. Notice of said public hearing must be published in a newspaper and also sent to the individual property owners that will comprise the district.

Standard Resolution 3

A public hearing is held on scheduled date and any objections are registered. If the proposed improvement is deemed a necessity, then the commission declares that a necessity exists, directs the city assessor to prepare a special assessment roll, and sets a public hearing date for review of the assessments proposed to be levied.

The city clerk advises commission on a date - usually 2 to 3 weeks are required. Notice of this public hearing must also be published and the individual property owners notified.

Standard Resolution 4

A public hearing is held on scheduled date and any objections are registered. If it is still the desire of the commission to proceed, then the improvement is "Advanced and Tabled" to await the receipt of bids. The city engineer refers topic back to commission after receipt of bids - usually 2 to 4 weeks are required.

Standard Resolution 5

Following the receipt of bids and awarding of a contract, *completion of construction and summarizing of all associated costs*, the commission confirms the special assessment roll which sets forth the number of years over which the special assessments will be spread and the dates when these payments fall due.

Adopted by the city commission 7/23/79.

Attachment A

Attachment 1

A-1

Attachment 1

At a regular meeting of the Commission of the City of Royal Oak, Michigan, held at the City Hall in said City, on the tenth day of February, 1958, at 7:30 o'clock p.m., Eastern Standard Time:

PRESENT: Commissioners Fries, Hayward, Horn, Maudlin,
and Osgood

Mayor Kelley

ABSENT: Commissioner Crosby

The following action was taken:

"RESOLVED, that all street improvements made to the roadways of streets by means of paving, graveling or otherwise, be assessed against the abutting parcels of land according to the front foot rule.

FURTHER RESOLVED, that the following policy is hereby established for computing assessments for street improvements against corner parcels of land abutting upon two streets:

1. Corner parcels zoned for single family use, either vacant or developed for single family use -- In all cases where such corner parcels have side frontage of not more than 150 feet, the assessment for side street improvements shall be for one-half the actual side street frontage. In all cases where such corner parcels have side frontage in excess of 150 feet, the excess of such side frontage over 150 feet shall be assessed in the usual manner, by the front foot rule.
2. All other corner parcels -- The assessments for side street improvements shall be for the full side frontage.
3. In the case of lots of irregular shape or size, the above rules shall apply after adjustment by the Somer's Rule. In the case of other unusual conditions, special adjustments consistent with justice and equity may be made.

FURTHER RESOLVED, that in all cases where extra width pavement is installed at street intersections in order to facilitate traffic movement, the assessment for any extra width at the intersection shall be absorbed by the City-at-large, and shall not be assessed against the abutting properties.

FURTHER RESOLVED, that in all cases where the City has an easement over private property for the purpose of installing a public sidewalk, the property on which said easement is located and any property between said easement and the curb shall be regarded as being public property in the computation of special assessments for street improvements.

ATTACHMENT B
B-1

Attachment 1

FURTHER RESOLVED, that in all cases the cost of street paving up to a width of 31 feet shall be assessed against abutting properties; that in all cases where pavement of a width of more than 31 feet is installed in order to facilitate traffic movement, the cost of said pavement in excess of 31 feet in width shall be assumed by the City-at-large; provided, that in unusual cases where it appears that a special benefit will accrue to abutting properties as the result of the installation of pavement in excess of 31 feet in width, then the cost of such pavement in excess of 31 feet in width shall be assessed against such properties.

FURTHER RESOLVED, that in all cases where pavement of greater than ordinary thickness is installed, any extra cost occasioned by such extra thickness shall be assumed by the City-at-large; provided, that in unusual cases where it appears that a special benefit will accrue to abutting properties as a result of the installation of greater than ordinary thickness, then the cost of the extra thickness of pavement shall be assessed against such properties."

I hereby certify that the above is a true and correct copy of a Resolution adopted by the City Commission of the City of Royal Oak at a regular meeting held February 10, 1958.

GLADYS FOGO, CITY CLERK

ATTACHMENT B
B-2

October 15, 1979

Moved by Austin
Supported by Webster

RESOLVED, that City Commission hereby gives Preliminary Approval of the Preliminary Replat of the North 325 feet of the West 120 feet of Lot 20, Woodland Park Place, and Lot 1, Assessor's Plat No. 47, located at Amelia and Main Streets (Lenchner).

ADOPTED UNANIMOUSLY.

* * * * *

STREET RECONSTRUCTION PROGRAM

Commission Letter #383

A-13

The Mayor commented that he is still not certain about having only two street classifications.

The City Manager stated that the streets will be discussed at the October 22 Work Session and he would present a new map.

Moved by Austin
Supported by Schoenholtz

BE IT RESOLVED, that the term of Special Assessment Rolls for sidewalk construction and reconstruction shall be six (6) years.

BE IT FURTHER RESOLVED, that the term of Special Assessment Rolls for new paving, street reconstruction, water and sewer projects shall be fifteen (15) years.

ADOPTED UNANIMOUSLY.

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I-75 IMPROVEMENTS

Commission Letter #380

A-14

Moved by Austin
Supported by Hallman

BE IT RESOLVED, that the Mayor and City Clerk be authorized to execute the Federal Aid Progress Payment Agreement with the Michigan Department of Transportation for Improvements to I-75 between the South City Limits and 750 feet North of Gardenia for an estimated cost to the City of \$12,600.00.

In response to a question from Schoenholtz, the City Manager explained that this is the concrete median barrier and State law requires that the City pay for it.

ADOPTED UNANIMOUSLY.

* * * * *

March 5, 1984

Commissioner Paruch felt the policy should be amended so that it applied to owner occupied homes, and offered the following motion:

Moved by Commissioner Paruch
Supported by Commissioner Stocker

WHEREAS, the City Commission has approved a program for Senior Citizens who cannot afford to finance Special Assessment projects whereby the assessment can be deferred until such time as the affected property is sold or transferred to heirs;

NOW, THEREFORE, BE IT RESOLVED, that the City Commission establishes the following guidelines to be used in considering a request for the deferment of Special Assessments:

1. The applicant must be a Senior Citizen age 65 or over and the affected dwelling must be owner occupied.
2. The income limit is established as 1.3 times the "Very Low Income Limit" established by the Department of Housing & Urban Development for the Oakland County area under the Section 8 Existing Housing Assistance Program. The income limit per family size is currently as follows:

<u>Family Size</u>	<u>Income Limit</u>
1	\$ 10,800
2	12,300

3. The applicant will be required to complete an application form indicating income and assets.
4. The City Commission will review each case individually to determine whether the applicant qualifies under the program.
5. The City Commission reserves the right to make exceptions to the above criteria in unusual cases.

ADOPTED UNANIMOUSLY.

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PUBLIC HEARING - INDUSTRIAL FACILITIES EXEMPTION
CERTIFICATE - HAWTHORNE METAL PRODUCTS CO., 4336 COOLIDGE HWY.

City Manager William J. Baldridge explained that a request had been received from the Hawthorne Metal Products Company for an Industrial Facilities Exemption Certificate. The application has been submitted to cover a 7,000 square foot office addition currently under construction, at an estimated cost of \$550,000, including personal property and fixtures. Additional machinery and equipment costs have been estimated at \$450,000, bringing the total project costs to \$1,000,000. Hawthorne Metal estimates the project will create 30 new permanent jobs.

Mayor Hallman opened the Public Hearing and Mr. Chester Bator from Hawthorne Metals, appeared before the Commission to answer any questions. He stated there were 224 people employed at the beginning of 1983, and at the present time they have 306 employees.

Commissioners Culling and Stocker indicated they had met with the applicant and were very much impressed with what Hawthorne Metals was doing and suggested that the tax exemption be granted for a period of twelve years.

Mayor Hallman closed the Public Hearing.

Moved by Commissioner Stocker
Supported by Commissioner Shadrick

WHEREAS, Act No. 198 of the Michigan Public Acts of 1974, as